

Message Text

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ACTION XMB-04

INFO OCT-01 AF-08 ISO-00 L-03 AID-05 CIAE-00 COME-00 EB-07

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C O N F I D E N T I A L KINSHASA 7734

DEPT PASS EXIMBANK

E.O. 11652: GDS 12/31/82
TAGS: EFIN, EGEN, CG
SUBJECT: SPECIAL PAYMENT FACILITY

REF: A) STATE 223495, B) KINSHASA 7587

1. SEPT 14 GOVERNOR SAMBWA TELEPHONED DCM TO COME FOR APPOINTMENT FOLLOWING DAY TO RECEIVE HIS REPLY TO EXIMBANK LETTER (REF A). IN SEPT 15 MEETING WITH DCM AND EMBOFF, SAMBWA STATED THAT HE HAD CAREFULLY REVIEWED MODIFIED EXIMBANK PROPOSAL AND THAT HE COULD NOT AGREE TO SUCH A PROPOSAL FOR THE FOLLOWING REASONS:

A. PRIOR TO MEETING WITH PRIVATE BANKERS IN LONDON, SAMBWA PRESENTED A PROPOSAL TO BEIN OF EXIMBANK WHEREBY HE PROMISED THAT EXIMBANK WOULD RECEIVE PRIORITY TREATMENT FOR PAYMENT OF ALL INGA-SHABA PAYMENTS FROM TEN PER CENT OF EXPORT EARNINGS NOW BEING DEPOSITED ABROAD AND HE UNDERSTOOD THAT BEIM ACCEPTED THIS PROPOSAL.

B. BASED UPON HIS UNDERSTANDING THAT SUCH A PROPOSAL WAS ACCEPTABLE TO EXIMBANK, HE ASSURED ALL THE PRIVATE BANKERS AT LONDON THAT HE WOULD NEVER AGAIN ENTER INTO AN AGREEMENT TO ACCORD PRIORITY TREATMENT FOR ONE CREDITOR OVER ANOTHER.

C. SUCH A SPECIAL PAYMENT FACILITY WOULD CREATE A PRE-CONFIDENTIAL

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CEDENT WHEREBY IT WOULD BE DIFFICULT TO REFUSE SIMILAR

TREATMENT FOR OTHER CREDITORS PREPARED TO EXTEND NEW CREDIT TO ZAIRE. WITH SUCH AGREEMENTS, THE GOZ WOULD EFFECTIVELY LOSE CONTROL OVER THE DISPOSITION OF ITS FOREIGN EXCHANGE EARNINGS.

D. EVEN IF CITIBANK AND BANKERS TRUST AND THE SYNDICATES WHICH THEY REPRESENT WERE TO WITHDRAW THEIR OBJECTIONS TO THE MODIFIED EXIMBANK PAYMENT FACILITY, SAMBWA STATED THAT HE COULD STILL NOT ACCEPT SUCH AS SOME OTHER U.S., FRENCH, BELGIAN OR ENGLISH PRIVATE BANK WOULD CERTAINLY OBJECT.

2. SAMBWA STATED THAT AT THE LONDON MEETING HE HAD TOLD THE PRIVATE BANKERS THAT GOZ INTENDED TO USE THE TEN PER CENT EXPORT EARNINGS DEPOSITED ABROAD TO MAKE PAYMENTS ON ITS DEBT AND HOPED TO BE ABLE TO INCREASE THE AMOUNT FROM THE MINIMUM TEN PER CENT OF EXPORT RECEIPTS PREVIOUSLY PROMISED. HOWEVER, HE ALSO TOLD THE PRIVATE BANKERS THAT SUCH PAYMENTS WOULD BE MADE IN ACCORDANCE WITH THE SIZE OF THE DEBTS AND THE PRIORITY OF THE PROJECTS WHICH THEY REPRESENT. SAMBWA STATED THAT HE BELIEVED HIS ORIGINAL PROPOSAL TO BEIM TO BE CONSISTENT WITH HIS STATEMENT TO THE PRIVATE BANKERS AS THE INGA-SHABA TRANSMISSION LINE IS OBVIOUSLY A PRIORITY PROJECT FOR ZAIRE. THUS, SAMBWA IS STILL PREPARED TO SIGN A LETTER, NOT TO BE MADE PUBLIC, WHEREBY HE WILL PROVIDE TO MAKE ALL PAYMENTS DUE TO EXIMBANK ON THE TRANSMISSION LINE FROM THE TEN PER CENT SET-ASIDE ACCOUNT.

3. SAMBWA STATED THAT HE IS IN THE PROCESS OF PREPARING A MEMO TO PRESIDENT MOBUTU EXPLAINING, AS STATED ABOVE, WHY HE CANNOT ACCEPT THE PROPOSED EXIMBANK SPECIAL PAYMENT FACILITY. HE ADDED THAT IF PRESIDENT MOBUTU ORDERS HIM TO SIGN THE FACILITY, THEN HE WILL WITHDRAW FROM THE DEBT RESCHEDULING NEGOTIATIONS WITH PRIVATE CREDITORS AS HE BELIEVES THAT HE WOULD LOSE ALL CREDIBILITY.

4. DCM REITERATED PREVIOUS ARGUMENTS AS TO WHY GOZ SHOULD AGREE TO EXIMBANK SPECIAL PAYMENT FACILITY BUT SAMBWA REMAINED ADAMANT IN HIS OPPOSITION. DCM THEN REQUESTED THAT SAMBWA DELAY PRESENTING MEMO TO PRESIDENT CONFIDENTIAL

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MOBUTU OUTLINING HIS OBJECTIONS TO SPECIAL PAYMENTS FACILITY UNTIL WE WERE ABLE TO TRANSMIT HIS VIEWS TO EXIMBANK FOR THEIR POSSIBLE COMMENT. ALTHOUGH NOT COMMITTING HIMSELF TO A SPECIFIC TIME, SAMBWA INDICATED THAT HE WOULD DELAY SENDING HIS MEMO TO PRESIDENT MOBUTU UNTIL EXIMBANK HAS HAD OPPORTUNITY TO REPLY.

5. SAMBWA ALSO REQUESTED THAT WE TRANSMIT TO EXIMBANK HIS

WILLINGNESS TO ADHERE TO HIS ORIGINAL PROPOSAL MADE TO BEIM IN LONDON WHEREBY HE WOULD SIGN LETTER, NOT TO BE MADE PUBLIC, PROMISING THAT HE WOULD MAKE ALL PAYMENTS DUE TO EXIMBANK RELATIVE TO THE INGA-SHABA LINE FROM THE TEN PER CENT SET-ASIDE ACCOUNT. HE ADDED THAT HE WOULD BE WILLING TO DISCUSS THIS SUBJECT WITH BEIM, OR OTHER EXIM REP, AT SEPT. 22 MEETING SCHEDULED IN LONDON BETWEEN GOZ AND PRIVATE BANKERS. (SAMBWA MAY LEAVE FOR LONDON MEETING THIS WEEKEND.)

6. COMMENT. WE BELIEVE THAT WE HAVE BEEN AS PERSUASIVE AS POSSIBLE IN ATTEMPTING TO CONVINCE SAMBWA TO AGREE TO EXIMBANK SPECIAL PAYMENT FACILITY. IN VIEW OF SAMBWA'S INITIAL RELATIVELY FAVORABLE REACTION TO EXIMBANK PROPOSAL (REF B), WE ARE CONFIDENT THAT HE MUST HAVE DISCUSSED EXIMBANK PROPOSAL WITH OTHER MEMBERS OF GOZ HIERARCHY AND PERHAPS WITH PRESIDENT MOBUTU HIMSELF AND THUS PROBABLY HAS THE HIGHEST LEVEL BACKING FOR HIS POSITION. FURTHERMORE, EVEN IF PRESIDENT MOBUTU WERE TO OVERRULE SAMBWA, WE ARE CONFIDENT THAT SAMBWA'S OPPOSITION TO THE SPECIAL PAYMENT FACILITY WOULD REACH THE PRIVATE BANKS AND DO SIGNIFICANT DAMAGE TO THE U.S. POSITION IN SUBSEQUENT NEGOTIATIONS WITH ZAIRE'S PUBLIC AND PRIVATE CREDITORS. WE URGE THAT EXIM RESPOND ASAP TO GOVERNOR SAMBWA'S REQUEST THAT EXIM RECONSIDER HIS PROPOSAL PREVIOUSLY MADE TO BEIM.
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